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Report

drawn up on behalf of the Committee on Economic and Monetary Affairs

~~on the~~ multiannual programme for the attainment of the customs union

Rapporteur: Mr K. von WOGAU

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By letters of 22 March and 21 September 1979 the Committee on Economic and Monetary Affairs requested authorization to draw up a report on the Commission's multiannual programme for the attainment of the customs union (COM(79) 8 final).

The President of the European Parliament gave the committee the necessary authorization in her letter of 3 October 1979.

On 3 October 1979 the committee appointed Mr von WOGAU rapporteur.

On 31 December 1979 the Commission forwarded a communication to the Council on 'The 1980 programme for the attainment of the customs union' and on 1 February the Commission adopted a supplementary 'Communication to the European Parliament'.

The Committee on Economic and Monetary Affairs considered the matter at its meetings of 27 February, 27 March and 16 July 1980.

At the latter meeting it unanimously adopted the motion for a resolution.

Present: Mr Deleau, acting chairman; Mr von Wogau, rapporteur; Mr Ansquer (deputizing for Mr Nyborg), Mr Balfour, Mr Beazley, Mr Beumer, Mr von Bismarck, Miss Forster, Mr de Goede, Mr Herman, Mr Hopper, Mr Moreau, Mr Petronio, Mr Schnitker, Mr Tuckman (deputizing for Mr de Ferranti) and Mr Turner (deputizing for Sir Brandon Rhys Williams).

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The Committee on Economic and Monetary Affairs hereby submits to the European Parliament the following motion for a resolution together with explanatory statement:

MOTION FOR A RESOLUTION

on the Commission's multiannual programme for the attainment of the customs union.

The European Parliament,

- having regard to the communications from the Commission of the European Communities to the Council and to the European Parliament respectively¹,
 - having regard to the report of the Committee on Economic and Monetary Affairs (Doc. 1-339/80).
1. Emphasizes the many important political and industrial implications of the full attainment of the customs union not only as the very basis of the Community, but also as the necessary precondition for a common policy in numerous other fields;
 2. Notes with satisfaction that the Commission has complied with the European Parliament's request² that it draw up multiannual programmes for the attainment of the customs union;
 3. Considers - on the basis of the relatively large number of proposals finally adopted by the Council in 1979 after several years of deliberation - that it can already confirm the justification for drawing up an overall programme and establishing priorities each year; approves the Commission's decision to submit a record of the achievements of the preceding year and the priorities for the following year;
 4. Points out that in regard to the administration of the customs union, the Commission will be heavily engaged after 1 January 1981 in solving the problems arising from Greece's entry into the Community and that decision-making in the Council will not become any easier; urges the Member States, therefore, to ensure that as many proposals as possible are adopted by the end of 1980;

¹ COM(79) 8 final, COM(79) 742 final and COM(79) 742 final/2

² See the European Parliament's resolution of 12.4.1978, OJ No. C 108 8.5.1978

5. Reminds the Council that through its President it gave an undertaking to treat the Commission's proposals for the attainment of the customs union¹ as a priority;
6. Considers the Commission's programme for 1980 to be sound and practicable;
7. Emphasizes that its resolution of 12 April 1978² is still relevant; stresses, however, the particular importance of the following objectives:

in the short term:

- (a) to draw up common rules on the temporary importation of Community goods from one Member State to another;

Calls on the Commission to resolve as quickly as possible the special problems that exist for smaller tradesmen (particularly craftsmen and repairmen) as also journalists, artists and musicians who have to take with them a certain amount of equipment for their work;

- (b) to transfer elsewhere the supervision at present carried out at the internal frontiers; e.g. VAT on imports should be paid through the companies' normal accounts instead of in cash at the frontiers, and the collection of statistical data should not entail delays at frontiers;

Calls on the Commission

- to propose, before 1 January 1981, an amendment to Article 23 of the sixth VAT directive so that the value added tax payable on imports is not calculated or collected at the time of importation and so that the number of persons to whom this provision applies can be increased;
- to draw up, before 1 April 1981, an action plan for the removal, one by one, of the various causes of the present delays at the Community's internal frontiers, drawing special attention to particular national shortcomings in these respects;
- to put forward, before 1 July 1981, a proposal on Member States' mutual recognition of veterinary and health controls;
- to put forward, before 1 July 1981, a proposal under which controls in connection with monetary compensatory amounts, etc., under the common agricultural policy are no longer carried out at the Community's internal frontiers;

¹ See Debates of the European Parliament of 4 July, 13 September and 13 December 1978

² See Resolution of the European Parliament of 12 April 1978, OJ No. C 108, 8.5.1978, p. 29

Calls on the Member States

- to reorganize, before 1 July 1981, the collection of statistical data so that it does not entail delays at the Community's frontiers;
 - to make use of existing provisions for not collecting VAT on imports at frontiers;
 - to waive more or less systematic identity controls at intra-Community frontiers;
- (c) to adopt the proposal for a regulation on mutual assistance between the authorities of the Member States and between these and the Commission with a view to ensuring that the customs rules and agricultural provisions are correctly applied;

in the longer term:

- (d) to draw up common, comprehensive, effective and uncomplicated customs legislation, which should also provide for possible penalties;
 - (e) to make it possible by further structural approximation of the customs authorities in the Member States for customs rules eventually to be administered on a common basis at the Community's external frontiers;
 - (f) to give the Community added weight in international negotiations by strengthening the Commission's position;
8. Observes, moreover, that one of the main reasons why it has been difficult up to now to achieve the customs union, that is, to establish a common market, is the wide differences in levels of taxation in the Member States and the existence among other things, of monetary compensatory amounts;
9. Points out that further progress in regard to the opening of internal frontiers depends on the Member States' determination to bring about political union;
10. Instructs its President to forward this resolution and the explanatory statement to the Commission and the Council of the European Community and to the national parliaments.

EXPLANATORY STATEMENT

I. STATE OF THE CUSTOMS UNION AND CURRENT MEASURES FOR ITS FURTHER DEVELOPMENT

The customs union within the European Community was established in 1968; the transitional period for the countries which acceded to the Community in 1973 expired two years ago.

We are bound to observe that the objectives laid down in the Treaty have been only partially achieved. The aim is to establish common external Community frontiers and the free movement of goods across the internal frontiers of the Member States. It is true that customs duties as such have been abolished, but they have been replaced by innumerable fiscal provisions and transport controls, together with rules relating to standards, statistics and currency. These provisions have much the same effects as customs duties and continue to hinder the liberalization of trade in the Community.

The citizens of our countries are not aware of these distinctions. They simply know that they are still subject to formalities at internal frontiers when travelling, or when transferring money and sending goods to another Member State. This prevents them from identifying with Europe and reinforces scepticism about the Community.

Over the last few years Parliament has concerned itself with the problem of the internal frontiers on the basis of a number of reports and proposed, notably in the report drawn up by Mr Nyborg on the development of the customs union and the internal market (Doc. 557/77), that the Commission should draw up multiannual programmes on the attainment of the customs union,

On March 1979 the Commission submitted the first of these programmes. This contains a concrete plan of work for 1979. At the end of 1979 it adopted the first of its annual revisions of the programme.

II. CONTENT OF THE MULTIANNUAL PROGRAMME

The multiannual programme is based on the objectives laid down in the Treaty of Rome, that is to say, a common customs policy in relation to third countries, combined with the free movement of goods within the Community.

The programme recognizes that it is necessary for the attainment of a common external customs policy to establish uniform legislation, increase cooperation between the customs authorities of the Member States and extend the Commission's powers in this field.

For the effective achievement of free movement of goods within the Community, existing formalities and controls must be abolished and the non-tariff barriers to trade which have been set up in place of customs duties must be removed.

Among the measure proposed for 1979 were many with external trade implications. Of special significance were the Commission's proposals for improving the provisions on Community transit, on which Parliament has meanwhile been asked to deliver an opinion. Another important measure, which was to have been submitted to the Council before the end of 1979, concerns the temporary importation of Community goods into another Member State. This has not yet been submitted to the Council.

III, PRIORITIES TO BE STRESSED BY PARLIAMENT

Parliament should focus its demands primarily on the following points:

1. The codification of Community customs legislation, which must also include possible penalties.
2. Establishment of a Community customs administration. As a first step, the Commission's powers in this field should be strengthened.
3. Removal of the controls still imposed today at internal frontiers. For example, VAT compensation should be dealt with in the undertakings and not at the frontiers. The taxation authorities and statistical offices should introduce the necessary measures without delay.
4. Among the individual measures which the Commission and Council are working on at present Parliament should pay particular attention to those designed to improve the provisions on Community transit and the new rules on temporary importation.

IV. Comments on paragraph 7 of the motion for a resolution

The Committee on Economic and Monetary Affairs finds it unacceptable that in principle there is little difference between the formalities and controls carried out at the Community's external and internal frontiers, even though they are in practice obviously carried out less systematically at the internal frontiers.

Only a few of the controls carried out at the internal frontiers have anything to do with customs. Neither controls in connection with the common agricultural policy nor veterinary and health controls, exchange controls, the collection of statistical data nor baggage or identity checks have anything to do with customs.

It is of course understandable that various authorities in the Member States have decided that as controls already take place at frontiers some new controls can also be carried out there; but the result is that it is still often a problem to cross the Community's internal frontiers, so that neither trade circles nor the general public get a clear picture of what progress has been made since the Community came into being. A 'frontal attack' should therefore be undertaken with a view to opening the Community's internal frontiers. The reasons for the controls must be removed one by one, otherwise frontier barriers in the Community will exist for ever. If the Community does not make such a frontal attack, the chances are that still further controls will be introduced for implementation at the Community's internal frontiers.

The committee has also considered whether a date could be fixed by which controls carried out at the Community's internal frontiers should somehow or other be reorganized or abolished. The committee has, however, decided not to set a date, as the Community has in the past set so many dates that have proved impracticable. The Committee on Economic and Monetary Affairs will, however, try in the future to set realistic deadlines in specific cases for the phasing out of formalities at the Community's internal frontiers.

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In paragraph 7 of its motion for a resolution the Committee on Economic and Monetary Affairs has put forward various specific proposals in areas where the need is particularly great and where progress ought to be possible relatively quickly.

The committee is of course aware that not all these proposals come within the terms of reference of the Commission's 'customs union service', but it has preferred not to let itself be bound by the administrative divisions that result from the Commission's organizational structure.

ad_(a)

Despite its good intentions, the Commission has still not succeeded in reaching agreement on rules on the temporary importation of Community goods from one Member State to another.

The problem is obviously particularly acute in frontier regions where craftsmen, mechanics, maintenance men, contractors and other tradesmen work on both sides of the frontier and have to take the tools and machines they need for their jobs with them. But problems also exist for photographers and journalists as well as artists and musicians who take their photographic equipment, musical instruments and 'gear' with them.

According to the committee's information, the problem has still not been solved because of the problem of collecting value added tax on, for instance, expensive contractors' equipment when evasion of the rules can have a considerable effect on tax revenue.

The problem of controlling expensive contractors' equipment and the like should not, however, prevent the early simplification of administrative procedures for the large number of small tradesmen. Another argument in favour of this view is that common rules on, for instance, expensive contractors' equipment and small portable machinery could well mean that procedures became more rather than less complicated for small tradesmen.

The Committee on Economic and Monetary Affairs therefore calls on the Commission to draw up a proposal for a regulation on the simplification of administrative procedures for the temporary importation of less expensive equipment and take the necessary time to solve the problem of more expensive production equipment such as cranes.

It will presumably be necessary to define what is meant by expensive and less-expensive production equipment. The committee has in mind an amount of the order of 10,000 EUA (over and above transport costs).

ad_(b)

Article 23 of the sixth VAT directive¹ allows Member States to provide that value added tax payable on importation of goods need not be paid at the time of importation. Only the Benelux countries and the Federal Republic of Germany make any use of this provision.

¹ OJ No. L 145, 13.6.1978, p. 17

Another problem with Article 23 is that it applies only to a certain well-defined category of tradesmen; it does not concern the final consumer, e.g. the clinic importing surgical dressings.

The Committee on Economic and Monetary Affairs therefore calls on the Commission to put forward a proposal amending Article 23 so that Member States are obliged to place the control and collection of value added tax on imports of goods with the normal finance department rather than with the customs authorities.

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Examples exist of frontier delays of as much as eight days because Member States do not recognize the veterinary or health certificates issued by the competent authorities in other Member States.

The Committee on Economic and Monetary Affairs cannot discover why the Member States do not in fact want to approve health certificates issued in other Member States. The problem is not so great that it cannot be solved. In the committee's opinion, one of the main reasons for continuing to maintain the different national provisions and controls is, unfortunately, to protect the business interests of veterinary surgeons.

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The attitude of the Committee on Economic and Monetary Affairs to value added tax on imported goods is reflected in its attitude to the administrative procedures connected with the common agricultural policy, especially monetary compensatory amounts. Administration of monetary compensatory amounts should be transferred to the normal finance department and not be the task of the customs authorities at the Community's internal frontiers.

The committee is of course aware that various cases of fraud have been detected as a result of routine checks at the Community's internal frontiers and this is obviously an argument for maintaining such controls.

It does not, however, see why such controls cannot be carried out just as effectively in another way. If controls at internal frontiers are to be abolished, controls at the Community's external frontiers and checks of consignments under seal will have to be made more stringent. Spot checks on motorways and other main routes need not be confined to tachographs and such; loads and freight notes could also be checked.

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Statistical data on internal trade is based to a large extent on the information collected at the Community's internal frontiers. This is a typical example of further tasks being assigned to the frontier control authorities, so that it is now difficult to abolish frontier controls.

The Committee on Economic and Monetary Affairs obviously realizes that, if particularly detailed and precise trade statistics are needed, the collection of information must also be exhaustive. It obviously agrees that there is a need for particularly accurate statistics on Member States' trade with third countries, but wonders whether there is a need for equally detailed and precise statistics on trade between the Member States. Internal trade statistics are given just as high a priority as external trade statistics more out of habit than real need.

The Committee on Economic and Monetary Affairs therefore calls on the Member States to refrain from collecting precise statistical data on the Community's internal trade and to make greater use of the information available direct from the dealers (export undertakings, wholesalers, banks, etc.).

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All Member States have been forced by circumstances to reinforce their anti-terrorist measures. In some Member States this has unfortunately led to more or less systematic checks at all frontiers of the identity of persons either entering or leaving the country. This leads to further delays, nor does the construction of new modern buildings at frontier crossing points suggest that it is intended to be a temporary measure.

The Commission's scope for action in this area is obviously minimal as the Member States have a legal right to check the identity of travellers. The Committee on Economic and Monetary Affairs would very much deplore it if more stringent identity checks were again the cause of long queues at frontiers,

which are so frustrating for travellers and reduce the public's impression of living in a community. The Committee on Economic and Monetary Affairs therefore appeals to the Member States to limit identity controls at their frontiers with other Member States as far as possible, and draws their attention to the fact that identity controls at frontiers are hardly effective, as wanted persons can themselves decide where and when the controls should take place.

If, however, the Member States want to maintain more or less systematic identity checks at frontiers, then they must increase the number of controllers or otherwise speed up frontier formalities for ordinary travellers.

ad (c) to (f)

The Committee on Economic and Monetary Affairs understands that the Council has reached agreement on the content of a regulation on mutual assistance between the authorities of the Member States with a view to ensuring that the customs rules and agricultural provisions are correctly applied. The committee is gratified by this and calls on the Council to adopt the proposal as quickly as possible.

The present suspicion that exists can only be removed if cooperation between the competent authorities of the Member States is extended. The committee attaches particular importance to this in the hope that eventually common, comprehensive, effective and uncomplicated customs legislation can be drawn up for the Community, and urges the Commission to consider what further steps need to be taken to promote practical cooperation between the authorities.